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11 **IN THE UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **WESTERN DIVISION AT LOS ANGELES**

14 INTERDIGITAL INC.,
15 INTERDIGITAL VC HOLDINGS,
16 INC., INTERDIGITAL MADISON
PATENT HOLDINGS, SAS, AND
INTERDIGITAL CE PATENT
HOLDINGS, SAS,

17 Plaintiffs and
18 Counterclaim-
19 Defendants,

20 v.

21 THE WALT DISNEY COMPANY,
22 DISNEY MEDIA AND
23 ENTERTAINMENT DISTRIBUTION
24 LLC, DISNEY DTC LLC, DISNEY
25 STREAMING SERVICES LLC,
DISNEY ENTERTAINMENT &
SPORTS LLC, DISNEY PLATFORM
DISTRIBUTION, INC., BAMTECH,
LLC, HULU, LLC, AND ESPN, INC.,

26 Defendants and
27 Counterclaim-
Plaintiffs.

Case No. 2:25-cv-895-WLH-BFM

**DEFENDANTS' OPPOSITION
TO PLAINTIFFS' MOTION TO
DISMISS**

Judge: Hon. Wesley L. Hsu
Magistrate: Hon. Brianna F. Mircheff
Hearing: May 30, 2025 at 1:30 pm

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1 INTRODUCTION

2 Plaintiff ostensibly moves to dismiss four of Defendants' Counterclaims.¹ But
3 despite its label, Plaintiff's Motion to Dismiss ("Motion") neither addresses the
4 F.R.C.P. 12(b)(6) standard nor analyzes its factors. Instead, it imports "facts" found
5 nowhere in the pleadings and jumps ahead to asking the Court to construe those
6 "facts" in its favor and make a final decision on the merits now. In short, Plaintiff
7 asks the Court to dismiss Defendants' breach of contract and other related
8 counterclaims by ruling on the pleadings that Plaintiff has not breached its RAND
9 obligations. The Court cannot properly be asked to make a decision on such a
10 substantive, fact-dependent question at the pleadings stage.

11 Plaintiff's Motion is premised on its argument that it is not obligated to offer
12 reasonable and non-discriminatory ("RAND") licenses to Defendants for any of the
13 patents it has asserted in this and related foreign litigation because none of the patents
14 at issue are "essential" to the implementation of the relevant technological standards.
15 This argument fails for at least two reasons.

16 *First*, Plaintiff's infringement allegations are fundamentally inconsistent with
17 the Motion's purported grounds for dismissal. In the relevant complaints, and as
18 alleged in Defendants' Counterclaims, Plaintiff relies solely on the at-issue
19 technological standards for its patent infringement claims against Defendants. *See*,
20 *e.g.*, Dkt. 1-2 (Plaintiff relying solely on the H.264 standard for its assertion of the
21 '301 Patent); Dkt. 1-4 (Plaintiff relying solely on the H.265 standard for its assertion
22 of the '610 Patent); Dkt. 1-6 (Plaintiff relying solely on the H.265 standard for its
23 assertion of the '818 Patent); Dkt. 42, Counterclaim ¶¶ 49, 52. However, in the

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25 ¹ "Plaintiff" refers to InterDigital Inc., InterDigital VC Holdings, Inc., InterDigital
26 Madison Patent Holdings, SAS, and InterDigital CE Patent Holdings, SAS, and
27 "Defendants" refers to The Walt Disney Company, Disney Media and Entertainment
28 Distribution LLC, Disney DTC LLC, Disney Streaming Services LLC, Disney
Entertainment & Sports LLC, Disney Platform Distribution, Inc., BAMTech, LLC,
Hulu, LLC, and ESPN, Inc.

1 Motion, Plaintiff argues that its patents do not actually cover the standards at all. *See*,
2 *e.g.*, Motion at 9 (“All of the asserted claims of the Encoding Patents are not covered
3 by the H.264 or H.265 standards.”). These two positions cannot be reconciled with
4 each other. Plaintiff cannot both rely solely on the technological standards to allege
5 infringement and at the same time argue its patents are not “covered” by the same
6 standards.²

7 Defendants’ Counterclaims allege that InterDigital and the prior owner of the
8 patents committed to license any patents they owned that are essential to the relevant
9 standards on RAND terms. Defendants also allege that because Plaintiff relies solely
10 on the technological standards to allege infringement, Plaintiff has asserted several
11 patents effectively as required by these standards. Defendants therefore alleged that
12 those patents are subject to Plaintiff’s RAND licensing obligations.

13 Here, Defendants’ factual allegations—that the asserted patents cover aspects
14 of the relevant standards under Plaintiff’s own infringement theory—must be
15 accepted as true at the pleadings stage, which is more than sufficient to support a
16 plausible breach of contract counterclaim. But even setting aside the fact that
17 Plaintiff’s argument contradicts its very own complaint, this is ultimately not a
18 dispute that can be resolved through a F.R.C.P. 12(b)(6) motion.

19 **Second**, Plaintiff’s Motion fails to address one of the theories advanced in
20 Defendants’ Counterclaims—that the prior owner of the asserted patents explicitly
21 identified them to the standard setting organizations as patents offered for licensing
22 on RAND terms. For example, although the ’301 Patent covers only encoding
23 technology, its prior owner declared it as essential to the relevant standards and

24
25 ² If Plaintiff now argues that the ’301, ’601, and ’818 Patents “are not covered by the
26 H.264 or H.265 standards,” then it has failed to plead sufficient facts to support
27 claims of patent infringement for these patents since Plaintiff’s infringement
28 allegations are based **only** on the relevant standards. *See* Dkt. 1-2, 1-4, and 1-6. Thus,
if Plaintiff insists on maintaining the position advanced in its Motion, the Court
should dismiss Plaintiff’s claims of patent infringement under Rule 12(c).

1 committed to offering it for RAND licensing. As such, this allegation does not
2 depend on whether these expressly-declared patents are deemed “essential” to the
3 standards.³ Thus, Defendants’ factual allegations—which must be accepted as true at
4 the pleadings stage—are sufficient to support a reasonable inference that several of
5 the asserted patents are subject to a RAND license requirement and that Plaintiff
6 breached its contractual obligations by refusing to offer RAND licenses for these
7 patents to Defendants.

8 When Defendants’ factual allegations are accepted as true and read in the light
9 most favorable to Defendants’ Counterclaims—as is required at the motion to dismiss
10 stage—each of Defendants’ Counterclaims should easily survive because Plaintiff
11 has proffered no argument about the insufficiency of those pleadings. In the
12 alternative, should the Court disagree, Defendants should be granted leave to amend
13 their pleadings, as Ninth Circuit precedents liberally allow.

14 **LEGAL STANDARD**

15 When reviewing a motion to dismiss under F.R.C.P. 12(b)(6), the court
16 “accept[s] as true all facts alleged in the complaint and construe[s] them in the light
17 most favorable” to the pleading party. *DaVinci Aircraft, Inc. v. United States*, 926
18 F.3d 1117, 1122 (9th Cir. 2019); *see also Ashcroft v. Iqbal*, 556 U.S. 662, 664 (2009)
19 (“When there are well-pleaded factual allegations, a court should assume their
20 veracity and then determine whether they plausibly give rise to an entitlement to
21 relief.”). A complaint need only “contain sufficient factual matter, accepted as true,
22 to ‘state a claim to relief that is plausible on its face’” and thereby survive a motion
23 to dismiss. *Iqbal*, 556 U.S. at 678 (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544,
24 570 (2007)).

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³ As alleged in Defendants’ Counterclaims, the asserted patents that are subject to
27 explicit RAND commitments include at least the ’301, ’610, and ’818 Patents
28 asserted in the U.S., Brazilian patents PI0305519.1 and PI0318825.6, and European
patents EP2465265 and EP2449782. Dkt. 42, Counterclaims ¶¶ 44-47, 51, 54.

1 Dismissal is permitted only if “it appears beyond doubt that the
2 [counterclaimant] can prove no set of facts in support of his claim which would entitle
3 him to relief.” *DaVinci Aircraft*, 926 F.3d at 1122. As such, “[i]f there are two
4 alternative explanations, one advanced by [the responding party] and the other
5 advanced by [the pleading party], both of which are plausible, [the pleading party’s]
6 complaint survives.” *Soo Park v. Thompson*, 851 F.3d 910, 918 (9th Cir. 2017).

7 “In a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6),
8 the Court must limit its review to the four corners of the operative complaint, and
9 may not consider facts presented in briefs or extrinsic evidence.” *Butler v. Cnty. of*
10 *Los Angeles*, 617 F. Supp. 2d 994, 999 (C.D. Cal. 2009); *Adda Games v. United*
11 *States*, 2008 WL 11338344, at *3 (C.D. Cal. July 28, 2008) (same); *Buddhaful*
12 *Designs, LLC v. Mitchell*, 2015 WL 4131068, at *2 (C.D. Cal. July 8, 2015) (same).
13 There is a “general rule forbidding consideration of extrinsic evidence on a 12(b)(6)
14 motion.” *Appling v. Wachovia Mortg., FSB*, 745 F. Supp. 2d 961, 967 (N.D. Cal.
15 2010).⁴ Thus, the pleading party’s factual allegations must be accepted as true—a
16 motion to dismiss is not the proper vehicle to adjudicate factual disputes since “the
17 Court cannot resolve disputed issues of fact when deciding such a motion.” *Threshold*
18 *Enters. Ltd. v. Lifeforce Digit. Inc.*, 730 F. Supp. 3d 940, 945 & n.1 (N.D. Cal. 2024).

19 ARGUMENT

20 Plaintiff fails to address the proper standard for a F.R.C.P. 12(b)(6) motion. In
21 addition, Plaintiff’s Motion ignores the actual theories set forth in Defendants’

22
23 ⁴ The Court should not convert Plaintiff’s motion to dismiss to a motion for summary
24 judgment because this case is in its very early stages. *See, e.g., Williams v. Cnty. of*
25 *Alameda*, 26 F. Supp. 3d 925, 936 (N.D. Cal. 2014) (declining to convert motion
26 because “the evidence submitted by Defendants is more appropriately considered
27 after the parties have had an adequate opportunity to fully develop the factual
28 record”); *Hitek Software, LLC v. Sunrise Broad. of N.Y., Inc.*, 2013 WL 12137879,
at *3 (C.D. Cal. Feb. 21, 2013) (declining to convert motion because a “motion for
summary judgment is only proper once both parties have had sufficient time to
conduct discovery”).

1 Counterclaims, imports facts not found anywhere in the pleadings, and despite stating
2 that it seeks to dismiss four of Defendants' Counterclaims, omits *any* discussion of
3 three of them.

4 If this Court properly disregards Plaintiff's extrinsic evidence and direct
5 factual disputes—as it must do under black letter law—it should find that Plaintiff
6 has failed to present any viable argument to dismiss Defendants' Counterclaims.

7 **I. Plaintiff Fails to Meet, or Even Properly Frame, Its Motion Under the
8 F.R.C.P. 12(b)(6) Standard.**

9 Plaintiff's Motion seeks to sidestep the relevant framework for a motion under
10 F.R.C.P. 12(b)(6). Instead, Plaintiff improperly introduces facts from extrinsic
11 evidence (outside of the pleadings) and then relies on those extrinsic facts in an
12 attempt to raise factual disputes on the merits of Defendants' breach of contract
13 counterclaim. Such arguments are impermissible in a motion to dismiss. *See Butler*,
14 617 F. Supp. 2d at 999; *Adda Games*, 2008 WL 11338344, at *3; *Mitchell*, 2015 WL
15 4131068, at *2. Because they comprise nearly the entirety of Plaintiff's arguments,
16 that is sufficient basis for Plaintiff's Motion to be denied in full.

17 On a motion to dismiss, Plaintiff is limited to the four corners of the pleadings
18 and to presenting arguments about whether the pleadings' factual allegations are
19 insufficient to support a plausible inference for relief. *See id.* It is improper to raise
20 factual disputes based on extrinsic evidence beyond the pleadings—but Plaintiff does
21 just that. It introduces a host of facts and documents found nowhere in Defendants'
22 pleadings: for example, Plaintiff cites a 2003 paper authored by a third party (Motion
23 at II.B); Defendants' answer in separate proceedings between the parties in Brazil
24 (the "Brazilian Answer," Motion, Ex. 3); and facts from unrelated, out-of-jurisdiction
25 cases involving different patents and different technology, including a preliminary
26 decision issued by the International Trade Commission (the "ITC case") and another

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1 lawsuit against Plaintiff in a different forum (“*u-blox*”). *See* Motion at 8-10, 13, 15.⁵

2 Relying on alleged facts from these extrinsic sources, Plaintiff attempts to raise
3 a factual dispute that its obligations to license patents on RAND terms is limited to
4 patent claims “essential” to only the “decoding” aspects of the H.264 and H.265
5 standards. *See id.* But Plaintiff’s extrinsic evidence cannot undo its predecessor-in-
6 interest’s commitment to offer RAND licensing for specific patents, including
7 patents that are not limited to “decoding,” as Defendants have alleged in this case.
8 *See, e.g.*, Dkt. 42, Counterclaim ¶¶ 44-47, 51, 54. This extrinsic evidence also does
9 not prove that no encoding patents can ever be subject to RAND requirements. Thus,
10 none of this extrinsic evidence—even if considered—defeats the breach of contract
11 allegations as alleged in counterclaims.

12 More importantly, none of these extrinsic facts or documents are proper
13 support for a F.R.C.P. 12(b)(6) motion and thus the inferences and arguments
14 Plaintiff draws from them must be disregarded at this stage of the litigation. *See*
15 *Butler*, 617 F. Supp. 2d at 999 (in addressing a motion to dismiss, “the Court must
16 limit its review to the four corners of the operative complaint, and may not consider
17 facts presented in briefs or extrinsic evidence”). If the Court strips away the improper
18 extrinsic evidence and factual disputes that Plaintiff introduces in its Motion, Plaintiff
19 is left with virtually nothing that moves the needle for purposes of a F.R.C.P. 12(b)(6)
20 motion, and the Motion should be squarely denied on that basis. *Threshold Enters.*,
21 730 F. Supp. 3d at 945.

22

23 ⁵ Because Plaintiff’s Motion presents improper extrinsic facts, Defendants will not
24 engage with disputing their applicability at the pleadings stage. However, Defendants
25 will briefly contextualize its statements in the Brazilian Answer to clarify Plaintiff’s
26 misrepresentation. As explained *infra* in Section II.A, Defendants there were pointing
27 out the inconsistencies and doublespeak in *Plaintiff’s* own arguments—in the
28 Brazilian case, Plaintiff attempted to both rely on the technological standards to prove
patent infringement and to simultaneously argue that the same patents do not cover
the standards, as it attempts to do here.

1 **II. Defendants Allege Facts Sufficient to Support an Inference That the**
2 **Asserted Claims Are RAND-Encumbered.**

3 Defendants' Counterclaims include specific factual allegations that the patents
4 Plaintiff asserts against the H.264 and H.265 standards in both this Court and in a
5 foreign jurisdiction are subject to Plaintiff's commitments to license these patents on
6 RAND terms. *See, e.g.*, Dkt. 42, Counterclaim ¶¶ 44-56. For purposes of a motion to
7 dismiss, these factual allegations must be accepted as true. *See, e.g.*, *DaVinci*
8 *Aircraft*, 926 F.3d at 1122; *Iqbal*, 556 U.S. at 664.

9 Defendants' Counterclaims allege facts supporting two separate theories for
10 why Plaintiff's patents are RAND-encumbered: (1) Plaintiff and its predecessor-in-
11 interest, Thomson Licensing ("Thomson"), submitted declarations agreeing to offer
12 to license on RAND terms any patents and/or patent applications required to
13 implement the H.264 and/or H.265 standards—which, based on Plaintiff's own
14 infringement allegations, include the '301, '610, and '818 Patents asserted in this
15 Action and other patents asserted in courts in Europe and Brazil; and (2) Thomson
16 expressly declared to the standard-setting organizations that it would license specific
17 patents, including patents solely directed to "encoding," on RAND terms. *See, e.g.*,
18 Dkt. 42, Counterclaim ¶¶ 47, 51, 54, 56. Plaintiff fails to meaningfully rebut either
19 of these theories, to the extent it addresses them at all.

20 **A. Defendants Allege That Thomson and Plaintiff Have Committed**
21 **to License Any Patent Required to Implement the H.264 and/or**
22 **H.265 Standards on RAND Terms.**

23 Defendants' Counterclaims allege that Plaintiff is required to license on
24 RAND terms any of its patents that are required by the H.264 and H.265 standards.
25 *See, e.g.*, Dkt. 42, Counterclaim ¶ 62. This includes the '301, '610, and '818 Patents
26 asserted in this Action, as Plaintiff asserts that these patents are required to implement
27 the standards.

1 **First**, Defendants specifically allege that Plaintiff’s predecessor-in-interest
2 committed to license on RAND terms “any patent(s) and patent application(s)
3 essential to implementing” the H.264 or H.265 standards. *See, e.g., id.* Counterclaim
4 ¶¶ 44-46, 51, 54. Defendants also allege (and Plaintiff admits) that Plaintiff is bound
5 by its predecessor-in-interest’s declarations. *See, e.g., id.*, Counterclaim ¶¶ 47, 51,
6 54, 56 (“As the assignee of Thomson Licensing’s patents, InterDigital is also bound
7 by the commitments Thomson Licensing made to offer to license on RAND
8 terms[.]”).⁶ Moreover, Defendants allege that Plaintiff itself subsequently expressly
9 agreed it would offer to license on RAND terms any patent and patent application
10 required by the H.265 standard. *See id.* Counterclaim ¶ 48 (“InterDigital also openly
11 and publicly submitted Declaration Forms to the ITU, ISO, and/or IEC. On behalf of
12 InterDigital Video Technologies, Inc., Bradley Ditty, Vice President, Patents, signed
13 a ‘Patent Statement and Licensing Declaration for ITU-T or ITU-R Recommendation
14 | ISO or IEC Deliverable’ on August 24, 2020. Upon information and belief,
15 InterDigital submitted this application to the ITU, ISO, and/or IEC. In this
16 Declaration Form, InterDigital agreed it would offer to license on RAND terms any
17 patent(s) and patent application(s) essential to implementing the H.265 standard.”).

18 **Second**, Defendants allege that Plaintiff’s infringement allegations for several
19 U.S. and foreign patents actually assert that those patents are required by the standard
20 because its allegations are based solely on Defendants’ implementation of the H.264
21 and/or H.265 standards. *See, e.g.,* Dkt. 42, Counterclaim ¶ 49 (“InterDigital’s
22 infringement allegations regarding the asserted ’301, ’610, and ’818 Patents rest
23 entirely on implementing the H.264 and H.265 standards such that, according to
24

25 ⁶ Plaintiff admits in its Motion that it is bound by the contents of Thomson’s
26 declarations. *See Mot.* at 6 n.8 (“Thompson [sic] Licensing, the prior assignee of
27 InterDigital’s Asserted Patents, submitted Declaration forms to the ITU indicating its
28 willingness to license on RAND terms” and “[a]s the transferee of the asserted
patents, InterDigital is bound by Thompson [sic] Licensing’s Declaration[.]”).

1 InterDigital's infringement allegations, implementing the standards requires use of
2 at least the asserted '301, '610 and '818 Patents"), ¶ 52 ("InterDigital's infringement
3 allegations regarding the Brazilian Patents rest entirely on implementing the H.264
4 and H.265 standards such that, according to InterDigital's infringement allegations,
5 implementing the standards requires use of at least the asserted Brazilian Patents").

6 Plaintiff does not refute these allegations in its Motion because it cannot. In
7 fact, Plaintiff's infringement claim charts cite nothing *but* the relevant standards. *See*,
8 *e.g.*, Dkt. 1-2, 1-4, and 1-6. Thus, Plaintiff's reliance on the applicable standards to
9 allege infringement supports at least a plausible inference that the asserted patents
10 are required to implement those standards. In other words, if Plaintiff asserts that
11 Defendants infringe Plaintiff's patents based on Defendants' use of the H.264 and/or
12 H.265 standards alone, then those patents must be required by the standard. Plaintiff
13 is obligated to license any patent required by the standards on RAND terms. *See, e.g.*,
14 *id.* ¶ 49. Nothing more is necessary at the pleadings stage.

15 **Third**, Plaintiff's argument that none of its asserted patents are required by the
16 standards is premised on a factually incorrect assertion: that the H.264 and H.265
17 standards cover no aspect of video *encoding*. As an initial matter, this is not an
18 inference that can be drawn from the factual allegations presented in Defendants'
19 Counterclaims. Plaintiff is raising a factual dispute regarding the scope of the
20 technological standards that depends on technical analysis, expert testimony, and
21 contract interpretation.

22 Plaintiff improperly relies on an opinion from an ITC investigation involving
23 unrelated patents to argue that video encoding claims are never encompassed by the
24 relevant standards. *See* Mot. at 13. However, Plaintiff misleadingly truncates the
25 quote from that opinion, claiming that "RAND issues ... are not relevant to encoding
26 claims." The full quote is actually: "RAND issues, therefore, are not relevant to
27 encoding claims 1, 10, 21, 29, and 48 of the '808 patent or the asserted claims of the
28 '134 patent"—a holding limited to the specific patent claims at issue in that

1 investigation. *See Certain Video Capable Elec. Devices*, Inv. No. 337-TA-1379, at
2 *102 (Jan. 29, 2025) (Initial Determination addressing the specific asserted claims in
3 that proceeding). Plaintiff's mischaracterized citation should be disregarded. The
4 scope of the H.264 and H.265 standards is also not a proper issue for the Court to
5 adjudicate at the pleadings stage.⁷

6 Moreover, Plaintiff's argument that video encoding claims are never
7 encompassed by the relevant standards defies logic. Thomson, the prior owner of the
8 asserted patents, specifically committed "to license the '301 Patent on RAND terms"
9 in a declaration submitted on June 19, 2014. *See* Dkt. 42, Counterclaim ¶ 44. The
10 '301 Patent is titled "Adaptive Weighting of Reference Pictures in Video **Encoding**"
11 and includes claims that focus exclusively on video **encoding**. *See* Dkt. 1-1 at Cover
12 and Columns 9-11 (emphasis added). Plaintiff's argument that it is only obligated to
13 offer RAND licenses for **decoding** patent claims, and not **encoding** patent claims, is
14 therefore inconsistent with Thomson's declaration to the ITU.

15 **Fourth**, Plaintiff's arguments regarding Defendants' alleged "admissions" in
16 the Brazilian proceeding are based on an unauthenticated, machine-translated excerpt
17 of Defendants' filings in the Brazilian litigation. *See* Mot. at 12, Ex. 3. Not only is
18 this improper extrinsic evidence, it is also a mischaracterization of Defendants'
19 position. The paragraph Plaintiff cites actually explains that Defendants are
20 characterizing **Plaintiff's** position: "Here, **INTERDIGITAL contradicts itself in its**
21 **claims**. As it acknowledges, the H.264 and H.265 standards refer to
22 DECODING" Mot. Ex. 3 ¶ 3. Plaintiff cherry-picks language from its machine
23 translation in an attempt to cast Defendants' arguments in the Brazil proceeding as

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25 ⁷ The International Trade Commission decision Plaintiff cites is not relevant here. It
26 is a preliminary decision from an administrative agency that addresses different
27 patents from different parties that do not involve explicit declarations, as is the case
28 here. *See* Mot. at 12-13; *see generally Certain Video Capable Elec. Devices*, Inv. No.
337-TA-1379 (Jan. 29, 2025).

1 an admission. It is not. Rather, proper context shows Defendants were arguing that
2 because **Plaintiff** took the position that the H.264 and H.265 standards cover only
3 decoding, it cannot prove infringement of Defendants' encoding processes by using
4 only the standards.

5 Defendants' factual allegations must be accepted as true at this stage of the
6 case. *See, e.g., DaVinci Aircraft*, 926 F.3d at 1122; *Iqbal*, 556 U.S. at 664. The only
7 question at issue on a motion to dismiss is whether Defendants have sufficiently pled
8 plausible facts. And, as even the cases Plaintiff cites hold, they have. *See Nokia*
9 *Techs. OY v. HP, Inc.*, 2024 WL 1885683, at *2 (D. Del. Apr. 29, 2024) (holding that
10 a party plausibly pled essentiality by pointing to plaintiff's own statements that the
11 asserted patents may be essential). As in *Nokia*, Defendants here have properly relied
12 on Plaintiff's and its predecessor-in-interest's representations about the asserted
13 patents (*i.e.*, the infringement allegations and the declarations to the ITU) to plead
14 essentiality. Accordingly, the Court should deny the Motion as to Defendants' breach
15 of RAND counterclaims.

16 **B. Defendants Allege That Plaintiff's Patents Are RAND-
17 Encumbered Because Thomson Expressly Committed to License
18 Specific Patents on RAND Terms.**

19 Defendants' Counterclaims additionally allege that Plaintiff is contractually
20 required to offer RAND licenses for all patents that its predecessor-in-interest
21 expressly committed to license on RAND terms. *See, e.g.*, Dkt. 42, Counterclaim
22 ¶¶ 44-47, 51, 54. Specifically, Defendants allege that "through its statements,
23 conduct, and/or relationship with Thomson Licensing, InterDigital has express or
24 implied contractual commitments with the ITU, ISO, and/or IEC and their respective
25 members, affiliates, and/or intended third-party beneficiaries, including Disney, to
26 ... offer to license on RAND terms the '301, '610, and '818 Patents asserted in this
27 Action [and] the Brazilian Patents...." *Id.*, Counterclaim ¶ 62. This factual
28 allegation—when accepted as true—is sufficient to support a reasonable inference

1 that the asserted patents are subject to RAND licensing obligations based solely on
2 Thomson's express identification of those patents to the ITU, independent of whether
3 they are deemed essential to the H.264 and H.265 standards.

4 Moreover, to support this factual allegation, Defendants allege background
5 facts relating to multiple declarations that expressly identified either the asserted
6 patents or their associated patent applications. *See id.*, Counterclaim ¶¶ 44-46, 51,
7 54. For example, Defendants' Counterclaims allege that Thomson signed and
8 submitted a "Patent Statement and Licensing Declaration" on June 19, 2014, in which
9 "Thomson Licensing agreed to license the '301 Patent on RAND terms." *Id.*,
10 Counterclaim ¶ 44. As laid out above, Plaintiff is bound by its predecessor-in-
11 interest's declarations. *See, e.g., id.*, Counterclaim ¶¶ 47, 51, 54, 56. And Defendants
12 make parallel allegations regarding other domestic and foreign patents. *See id.*,
13 Counterclaim ¶¶ 44-46, 51, 54. These factual allegations, taken as true—as is
14 required at the pleadings stage—are sufficient to support an inference that Plaintiff
15 has a contractual obligation to offer licenses for the '301 Patent and other specifically
16 declared patents on RAND terms based on Thomson's commitments to the standard-
17 setting organizations. *See, e.g., DaVinci Aircraft*, 926 F.3d at 1122; *Iqbal*, 556 U.S.
18 at 664.

19 To the extent Plaintiff disputes these factual allegations or intends to proffer
20 contradictory evidence, such a factual dispute cannot serve as a proper ground to
21 dismiss Defendants' Counterclaims at the pleadings stage. *See Threshold Enters.*,
22 730 F. Supp. 3d at 945 ("the Court cannot resolve disputed issues of fact when
23 deciding" a F.R.C.P. 12(b)(6) motion). Rather, when all inferences are drawn in
24 Defendants' favor, Defendants' factual allegation that Thomson expressly committed
25 to offering to license asserted patents on RAND terms is sufficient to support a
26 reasonable inference that Plaintiff's asserted patents are RAND-encumbered by way
27 of its predecessor's binding contractual commitments—regardless of their
28 essentiality.

1 **III. Defendants Have Sufficiently Pled a Breach of Contract Claim.**

2 Defendants' Counterclaims sufficiently allege all required elements of a
3 breach of contract claim: (1) the existence of a contract between Defendants and
4 Plaintiff, (2) Defendants' performance, (3) Plaintiff's breach, and (4) resulting
5 damages to Defendants. *Mooney v. Fife*, 118 F.4th 1081, 1099 (9th Cir. 2024). For
6 example:

- 7 1) Defendants allege the existence of a contract by pleading that "InterDigital has
8 had contractual obligations to offer to license on RAND terms the '301, '610,
9 and '818 Patents asserted in this Action, the Brazilian Patents...and any
10 patents and patent applications essential to implementing the H.264 and H.265
11 standards." Dkt. 42, Counterclaim ¶ 56; *see also id.*, Counterclaim ¶ 62.
- 12 2) Defendants allege facts supporting its own performance, including that
13 "[d]espite InterDigital's conduct being plainly inconsistent with InterDigital's
14 contractual obligations to license its patents on RAND terms, Defendants have
15 attempted to continue negotiating." *Id.*, Counterclaim ¶ 59. Defendants also
16 allege that "[e]very party producing products or delivering services that
17 support H.264 and H.265 standards, including Disney, is an intended third-
18 party beneficiary of InterDigital's contractual commitments," thus establishing
19 Defendants' performance (by adopting the H.264 or H.265 standards in its
20 products and supporting use of those standards in other parties'), thereby
21 entitling it to a contractual relationship and benefits. *Id.*, Counterclaim ¶ 63.
- 22 3) Defendants allege facts showing Plaintiff's breach, pleading that "[i]n willful
23 disregard of its commitments to the ITU, ISO, IEC, their affiliates and
24 members, and intended third-party beneficiaries, including Disney,
25 InterDigital has refused to offer Disney a license on RAND terms to its patents,
26 including the '301, '610, and '818 Patents, [and] the Brazilian Patents." *Id.*,
27 Counterclaim ¶¶ 57-58; *see also id.*, Counterclaim ¶¶ 60, 64.

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1 4) Defendants allege facts supporting that it has suffered damages as a result of
2 Plaintiff's breach, pleading that “[a]s a result of InterDigital's breach, Disney
3 has been injured in its business or property. InterDigital's refusal to offer a
4 license to Disney on RAND terms and conditions has deprived Disney of its
5 right to such a license, which has caused Disney to incur unnecessary costs
6 and unwarranted harm.” *Id.*, Counterclaim ¶¶ 65-66.

7 Defendants have properly alleged facts that, when viewed in the light most
8 favorable to Defendants, are more than sufficient to support each element of a breach
9 of contract claim. *See, e.g., DaVinci Aircraft*, 926 F.3d at 1122; *Iqbal*, 556 U.S. at
10 664. Plaintiff does not challenge any element of a contract claim. Instead, Plaintiff
11 attempts to impose additional requirements not required to plead a breach of contract
12 claim. *See* Mot. at 14-15.

13 **First**, Plaintiff's argument that Defendants failed to allege its implementation
14 of the relevant standards falls flat. Defendants' Counterclaims specifically allege that
15 its products support the standards at issue. For example, the Counterclaims allege
16 that “the H.264 and H.265 standards are the most popular methods of coding video
17 content” and that “Disney has invested millions of dollars in products and services
18 that support the H.264 and H.265 standards.” Dkt. 42, Counterclaim ¶ 31. Moreover,
19 Defendants allege that “[i]n reasonable reliance upon InterDigital's contractual
20 commitments to license its patents on RAND terms, market participants like Disney
21 expended substantial resources in research, development, and marketing of products
22 and services designed to be compatible with video coding technologies, like the
23 H.264 and H.265 standards.” *Id.*, Counterclaim ¶ 56. Plaintiff takes issue with
24 Defendants' wording and insists that Defendants must state they “implement” the
25 standards. *See* Mot. at 14. This argument, untethered to any element of a breach of
26 contract claim, places form over substance. Plaintiff cannot explain how Defendants'
27 statement that its “products and services [are] designed to be compatible with” the
28 relevant standards differs in substance to the implementation of the same standards.

1 Furthermore, Plaintiff's argument contradicts its own Complaint, in which
2 Plaintiff attempts to establish Defendants' infringement by only using the relevant
3 standards. Defendants' Counterclaims allege that Plaintiff filed "this Action and
4 foreign proceedings which seek to enjoin Disney's ***alleged implementation of H.264***
5 ***and H.265 technologies.***" Dkt. 42, Counterclaim ¶ 64 (emphasis added). Plaintiff
6 cannot fault Defendants for not alleging that their products implement the relevant
7 standards while at the same time relying on the same allegation in the Complaint.

8 ***Second***, there is no requirement for Defendants to concede patent infringement
9 to plead a breach of RAND claim. In a patent infringement case like this, Defendants
10 are not required to concede that any of Plaintiff's patents actually cover the relevant
11 standards in order to plead breach of RAND obligations. *See, e.g., TCL Commc'sns*
12 *Tech. v. Telefonaktiebolaget LM Ericsson*, 2014 WL 12588293, at *4 (C.D. Cal.
13 Sept. 30, 2014); *Nokia Techs.*, 2024 WL 1885683, at *2 ("Nokia's argument that HP
14 must elect between pleading that the Asserted Patents are essential (under its
15 counterclaims) or that the Asserted Patents are non-essential (under its infringement
16 defenses) is flawed. HP 'may state as many separate claims or defenses as it has,
17 regardless of consistency.'"); *Zenith Elecs., LLC v. Sceptre, Inc.*, 2015 WL
18 12765633, at *3-4 (C.D. Cal. Feb. 5, 2015) (denying motion to dismiss breach of
19 contract claim where defendant alleged that the patents were "purportedly" or
20 "allegedly" essential, establishing a defense challenging the essentiality of the
21 patents-in-suit while maintaining its breach claim). Defendants can properly rely on
22 Plaintiff's own infringement allegations.

23 For example, in *TCL Communications Technology*, the court found that a party
24 can "put forth the argument that [the patents at issue] are not standard essential while
25 reserving the right to pay the FRAND rate should the Court ultimately determine
26 otherwise." 2014 WL 12588293, at *4. The court expressly rejected the patent
27 owner's argument that an accused infringer must "first concede[] that [the patent
28 owner] does in fact own patents that are essential to the [applicable] standards" before

1 asserting a RAND claim. *Id.* The same logic applies here—if Plaintiff ultimately
2 establishes that its patents cover the relevant standards, then it must be bound by its
3 RAND obligations. Moreover, as explained above, the question of standard
4 essentiality is not dispositive for all patents in this case because Thomson specifically
5 committed to license several asserted patents on RAND terms independent of their
6 essentiality. *See* Dkt. 42, Counterclaim ¶¶ 44-47, 51, 54.

7 **Third**, Plaintiff's reliance on *u-blox* to argue that Defendants were required to
8 plead that (1) the patents are essential and (2) Defendants sold a product that fully
9 conformed to the relevant standards is inapposite. *See* Mot. at 12, 15-16; *see also*
10 *u-blox AG v. InterDigital*, 3:23-cv-0002, Dkt. 49 (S.D. Cal. Aug. 8, 2023). First, as
11 laid out above, Defendants specifically pled that Plaintiff has asserted the patents as
12 being required by the relevant standards. *See, e.g.*, Dkt. 42, Counterclaim ¶¶ 41, 42,
13 49, 52, 55; *see also* *Nokia Techs.*, 2024 WL 1885683, at *2. Second, Defendants
14 specifically alleged that “the H.264 and H.265 standards are the most popular
15 methods of coding video content” and that “Disney has invested millions of dollars
16 in products and services that support the H.264 and H.265 standards.” Dkt. 42,
17 Counterclaim ¶ 31. Moreover, even though *u-blox* involved a different standard
18 setting organization and different technology, Plaintiff's Complaint contradicts its
19 proposed reading of that case by citing the standards as the only basis for its
20 infringement allegations. Thus, Plaintiff's reliance on *u-blox* is inapt.

21 Because Defendants have sufficiently pled every element of a breach of
22 contract claim, and Plaintiff's grab bag of arguments does nothing to challenge the
23 sufficiency of those pleadings, the Court should deny the Motion and allow
24 Defendants' breach of contract claim to proceed. *See Mooney*, 118 F.4th at 1099;
25 *Iqbal*, 556 U.S. at 678.

26 **IV. Plaintiff Fails to Address Defendants' Other Counterclaims.**

27 Adding to the growing list of defects in its Motion, Plaintiff fails to
28 substantively address any of Defendants' second, third, or fourth counterclaims.

1 Motion at 1:1-12 (seeking to dismiss Counterclaims at ¶¶ 61-88). But beyond a
2 passing reference, those claims receive no attention at all, let alone analysis of why
3 Defendants have not sufficiently pled them. *See id.* at 2:10-11 (“Disney filed
4 counterclaims or, among other things, breach of contract …”). It is axiomatic that
5 this passing reference is insufficient to warrant a dismissal of Defendants’ other
6 counterclaims.

7 Namely, separate from its breach of contract claims, Defendants also pled
8 claims for promissory estoppel, breach of duty of good faith, and a request for
9 declaratory judgment. Dkt. 42, Counterclaim ¶¶ 68-88. For example, Defendants’
10 claim for promissory estoppel is based on Thomson’s explicit declarations containing
11 “clear and definite promises” to “offer to license on RAND terms the ’301, ’610, and
12 ’818 Patents asserted in this Action, the Brazilian Patents, … and other patents and
13 applications essential to implementing the H.264 and H.265 standards” *Id.*,
14 Counterclaim ¶ 69. As explained above, it is premised on (1) Thomson’s explicit
15 promises to license specifically identified patents on RAND terms, and (2) both
16 Thomson’s and Plaintiff’s general promises to license on RAND terms any patent
17 required to implement the standards. Thus, by alleging that Thomson and/or Plaintiff
18 promised to license the asserted patents on RAND terms, Defendants have pled
19 sufficient facts establishing that they were entitled to rely on those binding promises.

20 Plaintiff does nothing to address this counterclaim for promissory estoppel,
21 nor the third and fourth claims for breach of duty of good faith and declaratory
22 judgment. Defendants have sufficiently pled all elements of these claims. *See, e.g.*,
23 *Graham-Sult v. Clainos*, 756 F.3d 724, 749 (9th Cir. 2014) (“four elements comprise
24 a promissory estoppel claim: (1) a promise, (2) reasonable and (3) foreseeable
25 reliance by the promisee, and (4) injury to the promisee”); *Wacker v. Hammerking
26 Prods. Inc.*, 608 F. Supp. 3d 947, 965 (C.D. Cal. 2022) (a breach of the covenant of
27 good faith and fair dealing claim requires “(1) the plaintiff and the defendant entered
28 into a contract; (2) the plaintiff did all or substantially all of the things that the

1 contract required ...; (3) all conditions required for the defendant's performance had
2 occurred; (4) the defendant unfairly interfered with the plaintiff's right to receive the
3 benefits of the contract; and (5) the defendant's conduct harmed the plaintiff")
4 (citation omitted); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)
5 (declaratory judgment requires a "substantial controversy, between parties having
6 adverse legal interests, of sufficient immediacy and reality to warrant" relief)
7 (citation omitted). Indeed, Plaintiff makes no argument as to why Defendants'
8 allegations may be deficient, nor does it identify any element of these claims as
9 missing. To the extent Plaintiff argues that these claims are not properly pled for the
10 same reasons as the breach of contract claim, its argument fails for the same reasons
11 discussed above. Thus, Defendants' pleadings are not challenged and should survive.

12 **V. This Court Should Grant Defendants Leave to Amend If the Allegations
13 Are Found to Be Insufficient.**

14 In the event that the Court finds that Defendants' Counterclaims are
15 insufficient under F.R.C.P. 12(b)(6), Defendants should be granted leave to amend
16 its allegations, as is liberally allowed. Amendment of pleadings is a principle
17 enshrined in F.R.C.P. 15(a), which directs that for amendments before trial, "[t]he
18 court should freely give leave when justice so requires." The Ninth Circuit has "stated
19 that 'this policy is to be applied with extreme liberality'" and that inferences should
20 be drawn "in favor of granting the motion" unless there is the presence of "bad faith,
21 undue delay, prejudice to the opposing party, and/or futility." *Owens v. Kaiser
22 Found. Health Plan, Inc.*, 244 F.3d 708, 712 (9th Cir. 2001) (citing *Morongo Band
23 of Mission Indians v. Rose*, 893 F.2d 1074, 1079 (9th Cir. 1990), and *Griggs v. Pace
24 Am. Grp., Inc.*, 170 F.3d 877, 880 (9th Cir. 1999)). As this case was filed fewer than
25 three months ago, there is no undue delay or risk of potential prejudice.

26 Plaintiff's arguments that any amendment would be futile are, once again,
27 premised on the Court adjudicating the substance of the parties' breach of contract
28 dispute in its favor. According to Plaintiff's logic, any amendment would be futile

1 because no RAND obligation can ever attach to any of the asserted patents or, for
2 that matter, any patent that relates to video encoding technology. This cannot possibly
3 be true because Plaintiff's predecessor-in-interest expressly committed to granting
4 RAND licenses for several asserted patents, including, for example, the '301 Patent
5 on "Adaptive Weighting of Reference Pictures in Video Encoding," as alleged in
6 Defendants' Counterclaims. *See, e.g.*, Dkt. 42, Counterclaim ¶ 44. But if the facts
7 alleged in the Counterclaims are not sufficiently clear, Defendants should be
8 permitted to amend their Counterclaims to add additional facts relating to the RAND
9 commitments submitted to the standard-setting organizations. *See, e.g.*, Dkt. 50-7 at
10 2-3 (Thomson's RAND declaration for the '301 Patent). Thus, if necessary,
11 Defendants should be granted leave to amend their pleadings to add additional factual
12 allegations to support their claims, as there is no bad faith, undue delay, prejudice, or
13 futility. *Owens*, 244 F.3d at 712.

14 **CONCLUSION**

15 For the foregoing reasons, Defendants respectfully request that the Court deny
16 Plaintiff's motion to dismiss. In the alternative, Defendants request leave to amend
17 their pleadings.

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1 DATED: May 9, 2025

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3 Respectfully submitted,

4 By: /s/ Ryan K. Yagura
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CERTIFICATE OF COMPLIANCE

The undersigned, counsel of record for Defendants, certifies that this brief contains 6,090 words, which complies with the word limit of L.R. 11-6.1.

DATED: May 9, 2025

/s/ Ryan K. Yagura

Ryan K. Yagura